EXHIBIT B: SUPPLEMENTAL LEASE TERMS

Future operations in the National Petroleum Reserve - Alaska are likely to include a number of small fields with economic margins too thin to support the capital costs of onsite production facilities. To be commercially viable these small fields will likely need to be developed as satellite fields and use central production facilities located several miles away. The Bureau of Land Management believes full utilization of central production facilities is beneficial to all parties and should be encouraged. Satellite fields can be developed with lower up-front capital costs thereby increasing the likelihood that they will be brought into commercial production. The United States and State of Alaska will receive more revenue through taxes and royalties when new fields are developed. Facility owners will improve their return on invested capital increasing the likelihood the life of established infrastructure will be prolonged. And environmental impacts will be lower because fewer new facilities will be constructed and industrial expansion will be minimized. Therefore the Bureau of Land Management is providing supplemental lease terms as an incentive to meet these objectives.

Supplemental Lease Terms

(1) This lease is subject to Department of the Interior regulations now or hereafter in force governing the establishment of the value of production of gas and oil and other products produced from Federal leases for royalty purposes, including the regulations now or hereafter included in 30 C.F.R. Part 206 or applicable successor regulations, subject to the additional provisions included in this lease.

(2) The following terms apply if this lease is developed and produced as a satellite property and the production from this lease is separated or treated to be put into a marketable condition at a central facility located on a lease, unit or field that is not part of the field or unit that includes or may include this lease.

- (i) Subject to the limitation prescribed in this paragraph, the lessee may deduct actual facility fees in calculating the value of production for royalty purposes, in addition to any other allowances that apply under Department of the Interior regulations applicable to Federal leases.
- (ii) The facility fee allowance or deduction may not exceed $2.00 per barrel of oil equivalent, or such other amount as the Secretary of the Interior may by rule prescribe. For purposes of this provision, 5.62 thousand cubic feet of gas equals one barrel of oil equivalent.
- (iii) Movement of raw production stream to the central facility from a central accumulation point on this lease or the unit of which it is a part will be regarded as transportation within the meaning of applicable transportation allowance regulations, and will not be regarded as gathering.
- (iv) The total of all transportation and facility fee allowances for any production month provided under these terms and applicable rules may not exceed 50 percent of the value of the production for royalty purposes during that production month.